



# WEEKLY REPORT

## ARIZONA STATE RETIREMENT SYSTEM

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*For the week ending Friday, April 30, 2004*

Welcome to the ASRS Weekly Report. This report summarizes retirement-related legislation, and provides a briefing of news and notices important to member employers and your employees. Weekly Report is sent via email each Friday. Please direct comments related to this newsletter to Michelle Fink at [michellef@asrs.state.az.us](mailto:michellef@asrs.state.az.us) or phone (602) 308-5107.

**\*\*\* Please distribute or make this report available to your employees. \*\*\***

### ASRS News

#### Membership Information

A reminder from your Employer Relations representatives: Eligibility for ASRS membership is not determined by the classification or title of an individual's position (such as substitute teacher, guest teacher, temporary or seasonal worker). If the position is covered under the Social Security Title II Section 218, and meets the 20/20 rule criteria of the ASRS, it is mandatory for retirement contributions and long-term disability payments be withheld from the employee's pay, and matched by the employer.

If you have questions regarding membership criteria, please view the Membership Fact Sheet on our website, or call an ASRS Employer Relations representative.

Michele Briggs  
Employer Relations Manager  
(602) 240-2022

Rita Anne Johnson  
Employer Relations Rep.  
(602) 240-2147

Chanda Washington  
Employer Relations Rep.  
(602) 240-2093

#### Interest to be charged on Payroll Deduction Agreements beginning July 1, 2004

The Arizona State Retirement System will begin to charge interest on all Payroll Deduction Agreements in which the Service Purchase request date is on or after July 1, 2004. The interest rate is set at 8 percent, the same as the assumed ASRS earnings rate on investments.

Payroll Deduction Agreements are contracts that may be set up between a member and their employer for the purpose of making payments toward Service Purchase of previous years worked at another qualified employer plan that can add to a member's pension benefit upon retirement.

Previously, the ASRS allowed payroll deduction payments to be made without interest. The Board authorized the interest charge in an effort to ensure non-PDA participants do not absorb the cost of the PDA program, to minimize future contribution rate increases affecting all ASRS members and employers, and to maximize potential funds to pay for permanent benefit increases to monthly pensions.

To learn more about Service Purchase and Payroll Deduction Agreements, please see the Service Purchase Fact Sheet on our website, or call our Member Services Division at (602) 240-2000 in metro Phoenix, (520) 239-3100 in metro Tucson, or toll-free at (800) 621-3778.

## **\*\* Official Notice \*\***

### **Military Service Purchase Recalculation**

Legislation passed in the last session requires the Arizona State Retirement System to recalculate the cost of military service purchased prior to July 20, 1996 by members – active, retired or deceased – and to provide refunds, plus interest. The refunds are based on the difference in the costs of purchasing service prior to July 20, 1996, and the cost of service purchase after that date.

If you purchased military service prior to July 20, 1996, you may be entitled to a refund. If you have questions or need more information, please call the ASRS Member Services Division at: (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, and outside the metro areas at (800) 621-3778.

### **Legislation Update**

There is one remaining ASRS bill to be transmitted to the Governor for her signature: HB 2029 (ASRS; service purchase; cost). The House of Representatives has concurred with the Senate amendments to HB 2029 and the next stop for this bill could be final read.

The Arizona Legislature has enacted more than 150 bills in its first 100 days. The bills of most consequence, however, remain the budget bills. As of yet, no budget bills have gone through the committee process. The Joint Legislative Budget Committee's "Monthly Fiscal Highlights" newsletter reported that general fund revenues in March were \$434 million, \$71 million above the original forecast. For the first three quarters of the fiscal year, JLBC notes that revenues are running nearly \$211 million above prior forecasts. How these revenue collection numbers affect the budget negotiations have yet to be seen.

Please review the Quick Reference below for more details.

### **Board & Committee Meetings**

- **Investment Review Committee** – Tuesday, May 4, 5:30 p.m., ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor conference room. **CANCELED**
- **External Affairs Review Committee** – Friday, May 7, 10 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor conference room.
- **ASRS Board of Trustees** – Friday, May 21, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 10<sup>th</sup> floor board room.
- **Operations Review Committee** – Thursday, May 27, 10:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14<sup>th</sup> floor conference room.

*Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of our meetings are posted on our website and are available at our Phoenix and Tucson offices.*

**Quick Reference**  
ASRS Related Retirement Legislation  
(For Period Ending Friday, **April 30, 2004**)

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2008: Arizona Rangers Pension</b> Sponsor: Huppenthal <b>SHORT TITLE CHANGE</b> S/E: NOW; ASRS; Health Care Premium Subsidy <b>As Chaptered: Clarifies that two ASRS retirees who are married are eligible to receive the greater of two single or one family premium benefit.</b> <b>*Contains an emergency clause</b>	<b>Assigned:</b> Hse GR & Sen FIN 2/17 Hse GR DPA/SE Passed Hse 59-0-1 Passed Sen 29-0-1 <b>Status: Chapter 87E. Effective upon signature of the Governor</b>	<b>As Chaptered:</b> None expected.	<b>As Chaptered:</b> None expected.
<b>HB 2029 - ASRS; Service Purchase; Cost</b> Sponsor: Huppenthal <b>As Amended in the Senate Floor:</b> The formula used to calculate the cost to purchase the service credit is changed to a single standard based on the actuarial present value of the additional benefit. Payment for credited service may be via a rollover contribution of the member's accrued vacation, sick leave or overtime pay as long as certain conditions are met.	<b>Assigned:</b> Hse GR Passed Hse 57-0-3 Passed Sen 29-0-1 <b>Status: House Concurrence Recommended</b>	<b>As Amended:</b> \$330,000 one-time implementation cost that includes programming and other set up costs. No impact on the contribution rate	<b>As Amended:</b> The bill will result in a holding down of future contribution rates increases to 0.30% for all participating employers and 0.30% for all employees. Employees and employers will each see a total annual contribution savings of \$21 million. As one of the employers, the state general fund will save \$5.25 million in contributions annually.
<b>HB 2049 - ASRS; Membership; Political Subdivision Entities</b> Sponsors: Huppenthal, Hubbs, Nelson, et al. <b>As Amended on the Senate Finance:</b> <ul style="list-style-type: none"> <li>Allows political subdivision entities to participate in the ASRS.</li> <li>Allows employees of political subdivision entities that become members between December 31, 2003 and January 1, 2005 to purchase service using the normal cost method if the employer applies before December 31, 2004.</li> <li>Contains an Emergency clause.</li> <li>Appropriates \$596,588 from the ASRS Administration account for the implementation of HB2029 and HB 2052.</li> </ul>	<b>Assigned:</b> Hse GR Sen Fin Sen Approps <b>Status: Passed Hse GR 56-1-3 Sen Fin DPA 5-3-1</b>	<b>As Amended:</b> None expected.	<b>As Amended:</b> None expected.  The Hse GR Amendment may result in the ASRS Fund being under compensated for the service purchased by employees of political subdivision entities that join ASRS. Unable to estimate actuarial cost until additional information is received.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2052 – ASRS; Retirement Incentive Costs</b> Sponsor: Huppenthal <b>As Chaptered:</b> Requires the employer to pay the difference between the actuarial present value of the increased benefit and the contributions received if the employer offers the employee retirement incentives that result in increases in pension benefits for which the fund does not receive full compensation.	<b>Assigned:</b> Hse GR Sen Fin Passed Hse 59-0-1 <i>Passed Sen 29-0-1</i> <b>Status: Chap 106</b> <b>Effective upon</b> <b>general effective</b> <b>date</b>	<b>As Chaptered:</b> \$266,345 one-time implementation cost that includes programming and other set up costs. No impact on contribution rate.	<b>As Chaptered:</b> The bill will result in contribution rate savings of 0.11% for all participating employers and 0.11% for all employees. Employers and employees will each see a total annual contribution savings of \$7,575,000. As one of the employers, the state general fund will save \$1.9 million in contributions annually. A study of retirement incentive programs implemented by ASRS employers in recent years has revealed those programs have had a total cost to the fund of \$45.4million.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2077- ASRS; Long-Term Disability</b> Sponsor: Huppenthal <b>As Chaptered:</b> <ul style="list-style-type: none"> <li>Requires existing employees of new employers to meet the same 12-month pre-existing condition limitations as new employees of existing employers.</li> <li>Suspends the disability payment if the member refuses to participate in a recommended work rehabilitation program for which the member is reasonably qualified by education, training or experience.</li> <li>Requires members to pursue obtaining Social Security disability benefits through all available levels or until the claims administrator determines that the member would not be eligible for Social Security disability benefits.</li> <li>Prevents members from bypassing the 24-month limitation on being disabled from <u>any</u> position by removing “consecutive” and adding “within the last five years” before being able to determine if a member is unable to perform any work for compensation or gain.</li> <li>Clarifies that LTD benefits shall be reduced by both primary and dependent social security benefits received by the member.</li> <li>Allows a member on LTD program to elect to rely on treatment by prayer through spiritual means in accordance with the tenets and practice of a recognized church or religious denomination or Native American traditional medicine without suffering a reduction or suspension of LTD benefits.</li> <li>Prohibits an ASRS member convicted of a criminal offense and sentenced to more than six months in any penal institution from receiving LTD benefits for the period of confinement beginning the first day of the month following the first 30 days continuous of the member’s confinement.</li> </ul>	<b>Assigned:</b> Hse GR, DP Hse 56-0-4; Senate Fin DP 29-0-1 <b>Status: Chap 107</b> <b>Effective upon</b> <b>general effective</b> <b>date</b>	<b>As Chaptered:</b> None expected.	<b>As Chaptered:</b> Industry professionals estimate an annual cost savings to the LTD fund of up to \$16 million. Actuarial costs and impact on LTD contribution rates are pending.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2078 - ASRS; Asset Management; Limitations</b> Sponsor: Huppenthal <b>As Chaptered:</b> Allows ASRS to hire a fund manager who has 3 years experience managing institutional funds of at least \$250 million and currently managing \$250 million. Eliminates the present requirement for a potential fund manager to have at least 10% of the ASRS assets under management currently.	<b>Assigned:</b> Hse GR, Senate Fin Passed Hse 54-3-3 DP Sen 29-0-1 <b>Status: Chap 76, Laws 2004, Effective upon general effective date.</b>	<b>As Chaptered:</b> None expected.	<b>As Chaptered:</b> None expected.
<b>HB 2082 – Retirement; PSPRS; Military Credit</b> Sponsor: Huppenthal <b>As Amended in House GR:</b> <b>S/E NOW: ASRS; Administrative Account; Appropriations</b> <ul style="list-style-type: none"> <li>Allows ASRS to use its administration accounts monies for increases in implementation of legislative enactment to the ASRS expenditures not subject to legislative appropriation.</li> <li>Requires ASRS to report to the Joint Legislative Budget Committee for review of any increase in administrative costs that is required to implement a legislative enactment.</li> <li>Exempts any increase in administrative costs that is required to implement a legislative enactment from the lapsing of appropriations.</li> <li>Prohibits the use of any monies related to the implementation of a specific legislative enactment from any ongoing administrative costs.</li> <li>Requires ASRS to use outside contractors if any computer programming costs are involved in the implementation of a legislative enactment and requires ASRS to adhere to the procurement code for the hiring of the contractors.</li> </ul>	<b>Assigned:</b> Hse. GR Sen Fin Sen Approps passed Hse 57-0-3 Senate <b>Status: 3/29/04 DP Sen Fin 6-3-0</b>	<b>As Amended:</b> None expected.	<b>As Amended:</b> None expected.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2382 - Social Security Numbers; Government Use</b> Sponsor: Gray, C. <b>As Chaptered:</b> Prohibits all State agencies except the Dept. of Revenue and State and local law enforcement agencies from publicly disseminating all but the last four numbers of an individual's social security number, except as specified.	<b>Assigned:</b> Hse GR Sen Gov Passed Hse 56-3-1 Passed Sen 27-3-0 <b>Status: Chap 139</b> <b>Effective upon general effective date.</b>	<b>As Chaptered:</b> Not yet available.	<b>As Chaptered:</b> Not yet available.
<b>HB 2599 - Retirement; ASRS; Retiree Health Insurance</b> Sponsor: Konopnicki. <b>As Introduced:</b> Group health insurance offered by the state retirement plan to its retired members shall have comparable premiums, deductibles and co-payments for all participants regardless of where they live in the state.	<b>Assigned:</b> Hse GR Hse Approps <b>Status: Awaiting Hse. GR</b>	<b>As Introduced:</b> Not yet available.	<b>As Introduced:</b> Impact on Health Insurance Contracts not yet determined.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2600 - Retiree Health Insurance Study</b> First sponsor: Konopnicki. <b>As Amended in House Approps:</b> <ul style="list-style-type: none"> <li>Requires Legislative Council to select and contract with a private entity to conduct a study on retiree health insurance within the four state retirement systems that shall study and make recommendations, pursuant to any federal or state legal restrictions</li> <li>Requires ASRS to make recommendations to the Legislative Council on the selection of the contracted private entity and approve the cost of the study.</li> <li>States that PSPRS, CORP, and EORP must provide a copy of their final report on the health insurance study that commenced in February 2004 to the Governor, the President of the Senate, the Speaker of the House of Representatives, the members of the Senate Finance Committee, the members of the House Government and Retirement Committee, the Secretary of State and the Director of the Arizona State Library, Archives and Public Records</li> <li>Mandates that the contracted private entity shall submit a report to the Governor, the Speaker of the House of Representatives, the President of the Senate, members of the Senate Finance Committee, and members of the House Government &amp; Retirement Committee on or before December 1, 2004, and provide a copy of this report to the Secretary of State and the director of the Arizona State Library, Archives and Public Records.</li> <li>Contains a delayed repeal date of September 30, 2005.</li> </ul>	<b>Assigned:</b> <i>Hse GR</i> <i>Hse Approps</i> <b>Status: <i>Hse</i></b> <b><i>Approps 3/2/04</i></b> <b><i>DPA</i></b> <b><i>14-0-0-3</i></b>	<b>As Amended:</b> Estimated ASRS cost for study at \$100,000 to \$250,000. No impact on contribution rates.	<b>As Amended:</b> Not yet available.



BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>HB 2650 - Investment Protection Committee</b> Sponsor: Rosati <b>As Amended in House PIC:</b> <ul style="list-style-type: none"> <li>Authorizes the establishment of an Investment Protection Committee consisting of the following individuals: <ol style="list-style-type: none"> <li>The State Treasurer or the State Treasurer's designee.</li> <li>The Manager of SCF or the Manager's designee.</li> <li>The Director of ASRS or the Director's designee.</li> <li>The Administrator of PSPRS or the Administrator's designee.</li> </ol> </li> <li>Requires the Committee to meet quarterly on the call of the State Treasurer.</li> <li>Mandates that the Committee meet to share investment strategies, forecasting scenarios, credit analysis forecasts, and contingency planning information.</li> <li>States the Committee's purpose is to share information and ideas to collectively improve the return on investments of state and local monies and to reduce the risks of these investments.</li> <li>Adds that the reports submitted by the participating agencies must include actions taken to safeguard investments in the case of an emergency and recommendations for statutory or regulatory changes.</li> </ul>	<b>Assigned:</b> Hse GR, Hse PIC <b>Status: 3/2/04 DPA</b> <b>PIC (6-2-0-0-0)</b>	<b>As Amended:</b> Not yet available	<b>As Amended:</b> Not yet available
<b>SB 1176 - Retirement; ASRS; Retiree Health Insurance</b> Sponsor: Arzberger <b>As Amended in Senate Finance:</b> Requires the ASRS Board to ensure that its Health Care Coverage has the provider capacity to accept the estimated number of enrollees in every county. Specifies that the ASRS Board is the entity that determines the estimated enrollee number.	<b>Assigned:</b> Sen Fin, Sen Approps <b>Status: 3/2/04 FIN</b> <b>DPA (7-1-1-0)</b>	<b>As Amended:</b> Not yet available.	<b>As Amended:</b> Impact on Health Insurance contracts not yet determined.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>SB 1192 – Retiree Health Insurance Study</b> Sponsor: Arzberger <b>As Introduced:</b> Legislative Council will contract with a private entity to conduct a study and make recommendations on various suggestions to provide a single health insurance plan for retirees in all four state retirement systems. The ASRS, PSRS, CORP, and EORP on a prorated basis will reimburse Legislative Council for the cost of the study based on each system's active membership as of June 30, 2004.	<b>Assigned:</b> <i>Sen Fin</i> <i>Sen Approps</i> <b>Status: 2/24 DP</b> <b>Senate Fin(6-2-1-0)</b>	<b>As Introduced:</b> Estimated ASRS cost for study at \$100,000 to \$250,000. No impact on contribution rates.	<b>As Introduced:</b> Not yet available.
<b>SB 1229 – PSPRS; Pension; Limitation</b> Sponsor: Martin <b>SHORT TITLE CHANGE</b> <b>ASRS Membership; Political Subdivisions Entities</b> <b>As Amended in the House GR:</b> <ul style="list-style-type: none"> <li>Contains an emergency clause.</li> <li>States a political subdivision entity that executed a joinder agreement with the ASRS on or before December 31, 2003, is eligible to remain as a participating employer with ASRS</li> <li>States that the effective date of any current participating political subdivision entity is retroactively effective to the political subdivision entity's effective date as specified in the applicable joinder agreement.</li> <li>Outlines the criteria for an eligible political subdivision entity.</li> </ul>	<b>Assigned:</b> <i>Sen Fin</i> <i>Sen GR</i> <i>Sen Approps</i> <b>Status:</b> <b>4/6/04 DPA/SE GR</b> <b>(8-0-0-4-0)</b>	<b>As Amended:</b> Not yet available	<b>As Amended:</b> Not yet available
<b>SB 1290 - Retirement; State; Retiree Health Insurance</b> Sponsor: Martin <b>As Introduced:</b> Requires the fund manager for PSPRS, EORP, and CORP to pay the applicable payment for members who purchase individual health care coverage if a member or survivor provides written evidence of coverage and subsidy payments are directly payable to the insurance carrier.	<b>Assigned:</b> <i>Sen fin</i> <b>Status: 3/11/04</b> <b>Retained in Sen COW</b>	<b>As Introduced:</b> Not yet available.	<b>As Introduced:</b> Not yet available.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<b>SB 1343 – State Investment; Terrorist Ties</b> Sponsor: Verschoor <b>As Amended in Senate Finance:</b> <ul style="list-style-type: none"> <li>Mandates the State Treasurer and PSPRS fund manger to submit a report to the Senate Finance Committee and the House Government &amp; Retirement Committee, on or before January 10 and July 10 of each year, on the economic impact of global security risks of investments of state monies, including the following:</li> <li>A list of companies that are held in portfolio by the State Treasurer and PSPRS fund manger and that have or that are reasonably known by the State Treasurer and PSPRS fund manger to have business activities in or with countries identified by the United States Department of State as terrorist sponsoring countries.</li> <li>A summary description of the business activities of those companies, if possible, and the total amount invested in each company as of 90 days before the report is submitted.</li> <li>An assessment by the State Treasurer and PSPRS fund manger based on the Prudent Investor Rule of the level of the global security risk attributable to the investments.</li> </ul>	<b>Assigned:</b> <i>Sen Fin</i> <i>Sen GR</i> <i>Sen FII</i> <i>Passed Sen 23-7-0</i> <i>Passed Hse 49-6-5</i> <b>Status: 4/27/04</b> <b>Awaiting Sen Action</b>	<b>As Amended:</b> None expected.	<b>As Amended:</b> None expected.

#### LEGEND

AMEND C&P	Constitutional and Proper as Amended by the House Rules Committee	GF	General Fund
APPROP	Appropriations Committee	GOV	Government Committee
ASRS	Arizona State Retirement System	GR	Government and Retirement Committee
C&P	Constitutional and Proper	HB	House Bill
CORP	Corrections Officer Retirement Plan	HCR	House Concurrent Resolution
COW	Committee of the Whole	HHR	House Hearing Room
DP	Do Pass	Hse.	House of Representatives
DPA	Do Pass as Amended	JUD	Judiciary Committee
EORP	Elected Officials' Retirement Plan	LTD	Long Term Disability
FII	Financial Institutions and Insurance Committee	PIC	Public Institutions & Counties
		PFC	Proper for Consideration
		PFCA	Proper for Consideration as Amended by the Senate Rules Committee
		PSPRS	Public Safety Personnel Retirement System
FIN	Finance Committee		

SB  
S/E  
Sen.  
SHR

Senate Bill  
Strike Everything Amendment  
Senate  
Senate Hearing Room

WM  
Red indicates latest update. Ways and Means Committee

**The weekly Legislative report is available on-line at the ASRS Web site:  
[www.asrs.state.az.us](http://www.asrs.state.az.us)**

If you have questions relating to legislation, please contact ASRS Government Relations Officer  
Denisse Gee at (602) 240-2027 or via email at [DenisseG@asrs.state.az.us](mailto:DenisseG@asrs.state.az.us).

The External Affairs Review Committee (EARC) meets the first Friday of each month at 10:00 in the 14<sup>th</sup> floor  
conference room.